Department of State

TELEGRAM

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EXCISE

42 19
ACTION EUR-25

INFO OCT-01 AF-12 EB-15 COM-08 INT-06 CIAE-00 DODE-00 PM-05
H-02 INR-08 L-04 NSAE-00 NSC-10 P-03 RSC-01 PRS-01
SS-20 USIA-12 OEP-01 RSR-01 /135 W
013991

R 020845Z JUN 71
FM AMEMBASSY TRIPOLI
TO SECSTATE WASHDC 7752
INFO AMEMBASSY BENGHAZI
AMEMBASSY LONDON
AMEMBASSY ROME

DEPARTMENT OF STATE A, C. O. M.M.
REVIEWED BY CJ DATE 6/22/81
PORTIONS DENIED AS INDICATED

C O N F I D E N T I A L TRIPOLI 1028

C O R R E C T E D C O P Y TEXT

SUBJ: LIBYAN-ITALIAN OIL RELATIONS

REF: A. ROME 3268 B. TRIPOLI 933

1. [redacted] B1

2. [redacted] B1

3. WE HAVE CONFIRMED THAT ENI SUBSIDIARY SNAM HAS REACHED TENTATIVE AGREEMENT WITH LIBYA'S LNOC TO BUILD REFINERY AT ZAWIA NEAR TRIPOLI UNDER TERMS WHICH INCLUDE PAYMENT IN LIBYAN CRUDE.

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TENDER, WHICH CLOSED IN FEBRUARY, CALLED FOR CONSTRUCTION OF 40,000 B/D PLANT, EXPANDABLE TO 60,000 B/D. WE UNDERSTAND PLANNED INITIAL CAPACITY HAS BEEN RAISED TO FULL 60,000 B/D. COMPETITION FOR CONTRACT INCLUDED CZECHS (WHO REPORTEDLY SUBMITTED LOWEST BID), JAPANESE-AMERICAN GROUP AND BECHTEL OF UNITED STATES.

4. CRUDE FOR REFINERY ORIGINALLY WAS INTENDED TO COME FROM RELINQUISHED ACREAGE IN WESTERN LIBYA, WHICH HAS POTENTIAL OUTPUT--STILL TO BE DEVELOPED--OF UP TO 40,000 B/D. OTHER POSSIBLE SOURCES ARE ROYALTY OIL AT POSTED PRICE OR CRUDE AT PREFERENTIAL PRICE FROM AGIP CONCESSION 100. HOWEVER, EITHER OF LATTER SOURCES WOULD INVOLVE MARINE TRANSPORT FROM GULF OF SIRTE IN CYRENAICA TO ZAWIA.

5. [redacted] B1

6. WHILE SUCH AN ARRANGEMENT WOULD INCLUDE AMPLE SCOPE FOR FUTURE DISCORD BETWEEN PROSPECTIVE PARTNERS, IT WOULD SERVE LARGE IMMEDIATE OBJECTIVES OF PARTICIPATION AND CONSTRUCTION OF PROCESSING FACILITIES IN LIBYA. [redacted] B1

7. IF WE ARE CORRECT, [redacted] COMING MISSION COULD RESULT IN BREAKING NEW GROUND FOR OIL INDUSTRY IN LIBYA. B1

GP-4.
PALMER

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